Individual State Agency Fiscal Note

Bill Number: 5879 SB	Title: Insurance use of credit info	Agency: 160-Office of Insurance Commissioner

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	1.1	0.6	0.2	0.2
Account					
Insurance Commissioners Regulatory Account-State 138-1	0	164,486	164,486	47,202	47,202
Total $	0	164,486	164,486	47,202	47,202

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1(7)(a) and 2(5)(a) require an insurer that uses credit information, upon written request from an applicant for insurance coverage or an insured, to provide reasonable exceptions to the insurer's rates, rating classifications, company or tier placement or underwriting rules or guidelines for a consumer who has experienced and whose credit information has been directly influenced by extraordinary life circumstances.

Sections 1(7)(d) and 2(5)(d) requires insurers to provide notice to consumers that reasonable exceptions are available and information about how the consumer may inquire further.

Section 1(8) and 2(6) authorize the Office of Insurance Commissioner to adopt rules.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Section 1(7)(a) and 2(5)(a) require an insurer that uses credit information, upon written request from an applicant for insurance coverage or an insured, to provide reasonable exceptions to the insurer's rates, rating classifications, company or tier placement or underwriting rules or guidelines for a consumer who has experienced and whose credit information has been directly influenced by extraordinary life circumstances. The burden is on consumers to request the premium relief and provide documentation to demonstrate the life event had direct and meaningful impact on their credit information. The request for premium relief may or may not be accepted by the insurer. If consumers do not receive the results they want, it is anticipated they will file a complaint with the Office of Insurance Commissioner (OIC). Electronic complaints take an average of 2 hours and phone complaints take an average of 10 minutes to resolve. The OIC assumes there will be an additional 56 electronic and 128 phone complaint cases filed each year requiring a total of 133 hours (56 electronic cases x 2 hours + 128 phone cases x 10 minutes) of a Functional Program Analyst 3 (FPA3) (100 hours) and Functional Program Analyst 4 (FPA4) (33 hours) each year beginning in FY2023.

Sections 1(7)(d) and 2(5)(d) requires insurers to provide notice to consumers that reasonable exceptions are available and information about how the consumer may inquire further. The OIC expects that this notice will necessitate some type of form filing, such as a standardized consumer notice so that one notice could be used across all affected lines of an insurer's business. The OIC assumes a one-time filing influx by 420 companies that will require 20 minutes each to review requiring a total of 140 hours of a FPA3 (93 hours) and FPA4 (47 hours) in FY2023. OIC additionally anticipates 3 enforcement cases a year to address whether the notice was provided to the consumer. Investigations generally take anywhere between 25-80 hours per case and enforcement actions require the equivalent of approximately 25 hours per case. For purposes of this fiscal note, it is assumed that investigations will require an average of 25 hours per case and enforcement actions will require an average of 25 hours per case requiring 75 hours of an Investigator 3 and 75 hours of an Insurance Enforcement Specialist beginning in FY2023.

Section 1(8) and 2(6) authorize the Office of Insurance Commissioner (OIC) to adopt rules. Due to the fact that the rulemaking would provide regulations around certain discretions allowed of the insurance company and undefined terms in the bill language, 'complex' rulemaking will be required in FY2023. OIC assumes that it would hold a series of stakeholder meetings, solicit feedback on multiple stakeholder rule drafts, and define a number of terms from the bill language into administrative code.

Ongoing costs:
Salary, benefits and associated costs for .06 FTE Functional Program Analyst 3; .02 FTE Functional Program Analyst 4; .05 FTE Investigator 3; and .05 FTE Insurance Enforcement Specialist.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
138-1	Insurance Commissioners Regulatory Account	State	0	164,486	164,486	47,202	47,202
		Total $	0	164,486	164,486	47,202	47,202

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		1.1	0.6	0.2	0.2
A-Salaries and Wages		99,100	99,100	27,896	27,896
B-Employee Benefits		32,489	32,489	9,866	9,866
C-Professional Service Contracts					
E-Goods and Other Services		32,897	32,897	9,440	9,440
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	164,486	164,486	47,202	47,202

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Functional Program Analyst 3	70,956		0.1	0.1	0.1	0.1
Functional Program Analyst 4	78,408		0.7	0.4	0.0	0.0
Insurance Enforcement Specialist	87,852		0.1	0.0	0.1	0.1
Investigator 3	74,604		0.1	0.0	0.1	0.1
Senior Policy Analyst	99,996		0.2	0.1		
Total FTEs			1.1	0.6	0.2	0.2

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules .

Section 1(8) and 2(6) authorize the Office of Insurance Commissioner (OIC) to adopt rules. Due to the fact that the rulemaking would provide regulations around certain discretions allowed of the insurance company and undefined terms in the bill language, 'complex' rulemaking will be required in FY2023. OIC assumes that it would hold a series of stakeholder meetings, solicit feedback on multiple stakeholder rule drafts, and define a number of terms from the bill language into administrative code.